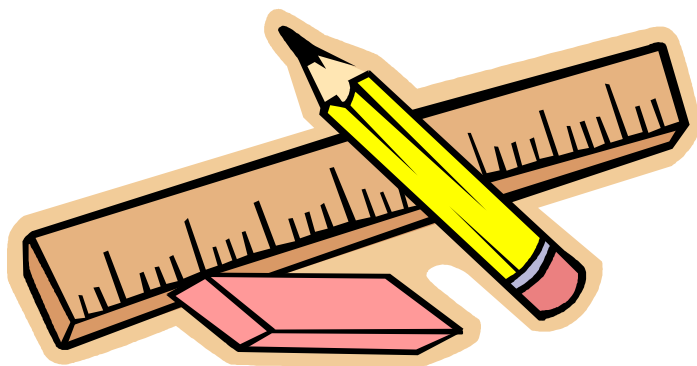


RETIREMENT 101



Teachers' Fund for Retirement **BASICS**

2016-2017

Teachers' Fund for Retirement

**1930 Burnt Boat Drive
PO Box 7100
Bismarck ND 58507-7100**

Telephone:	701-328-9885
Toll free:	800-952-2970
Fax:	701-328-9897
Email:	rio@nd.gov
Website:	www.nd.gov/rio

Type of System

TFFR is a qualified defined benefit public pension plan.

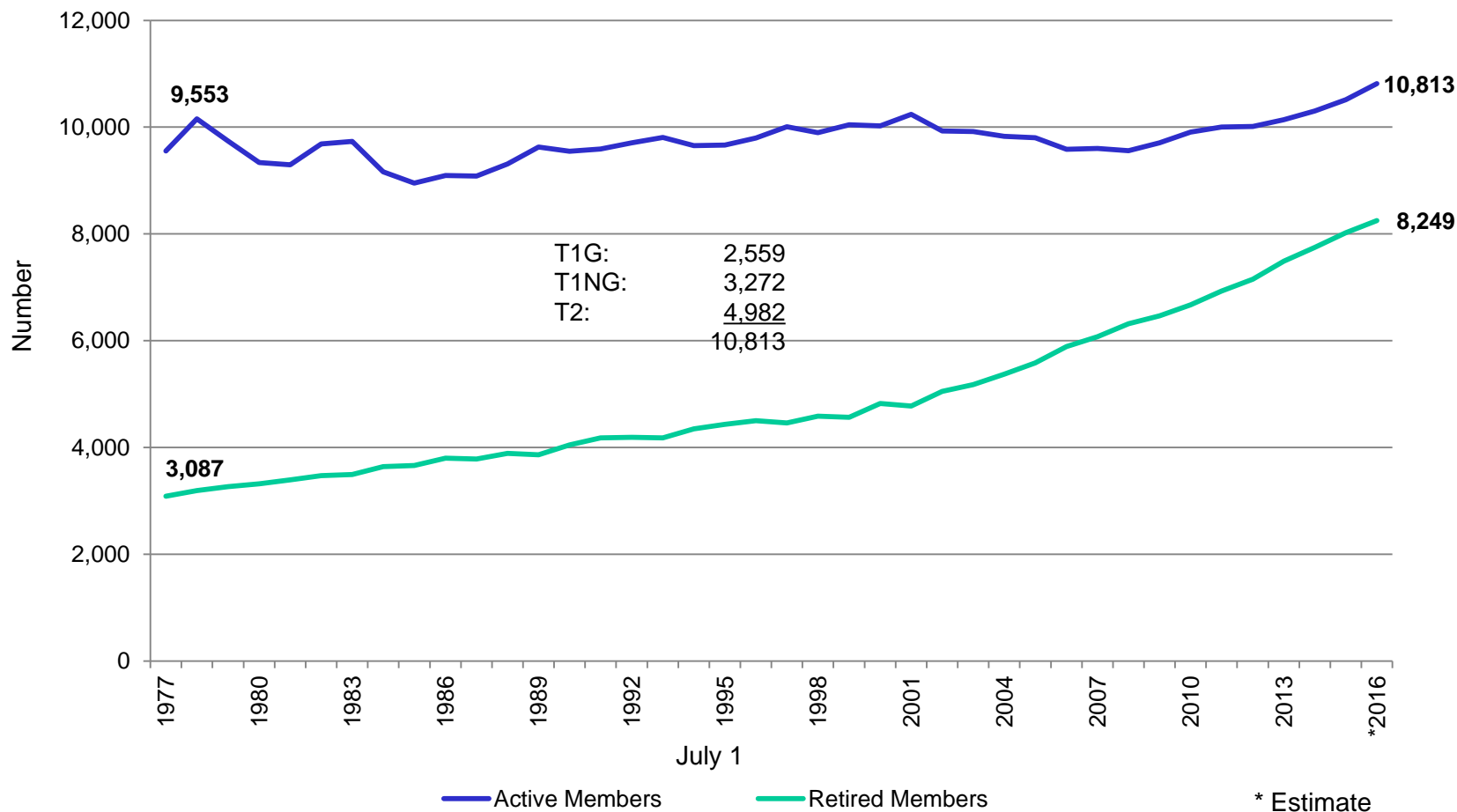
Benefit funding comes from three sources:

- Member contributions
- Employer contributions
- Investment earnings

What is the difference between a defined benefit and defined contribution plan?

- **Defined benefit plan (DB)** – the benefit is defined, but the contribution is not (i.e. TFFR).
 - Employer bears most plan risks.
 - Focus is on benefit security.
- **Defined contribution plan (DC)** – the contribution is defined, but the benefit is not (i.e. 401k, 403b, 457 plans)
 - Employee bears plan risks.
 - Focus is on wealth accumulation.
- **Types of plan risks:**
 - Investment
 - Inflation
 - Contribution
 - Longevity

Active and Retired TFFR Members 1977 - 2016



Membership

Individual Membership

- Certified to teach
- Under contract
- Tier 1 – Members as of 7/01/08
 - Tier 1 Grandfathered – Within 10 years of retirement eligibility on 6/30/13
 - Tier 1 Non-Grandfathered – More than 10 years away from retirement eligibility on 6/30/13
- Tier 2 – Members on/after 7/01/08
 - Tier 2 Non-Grandfathered

Service Credit

- 700 compensated hours = 1 year
- If compensated for less than 700 hours, service credit is granted in proportion

Example: $650 \text{ hours} / 700 = .929 \text{ year}$

Salary

Earnings in eligible employment for teaching, supervisory, administrative, and extracurricular services.

Vesting

- Three years of service – Tier 1 members
- Five years of service – Tier 2 members
- Entitled to lifetime benefit when eligible

Employer Contributions

- 12.75% of salary
- Not part of account value

Member Contributions

- 11.75% of salary
- Earns 6% interest

Contribution Rates

	Employer	Member
7/1/10	8.75%	7.75%
7/1/12	10.75%	9.75%
7/1/14	12.75%	11.75%

Note: 2011 legislation increased rates effective 7/1/12 and 7/1/14 to improve TFFR funding level. Increased rates will be in effect until TFFR reaches 100% funded ratio; then rates will be reduced to 7.75% each.

Taxation of Employee Contributions

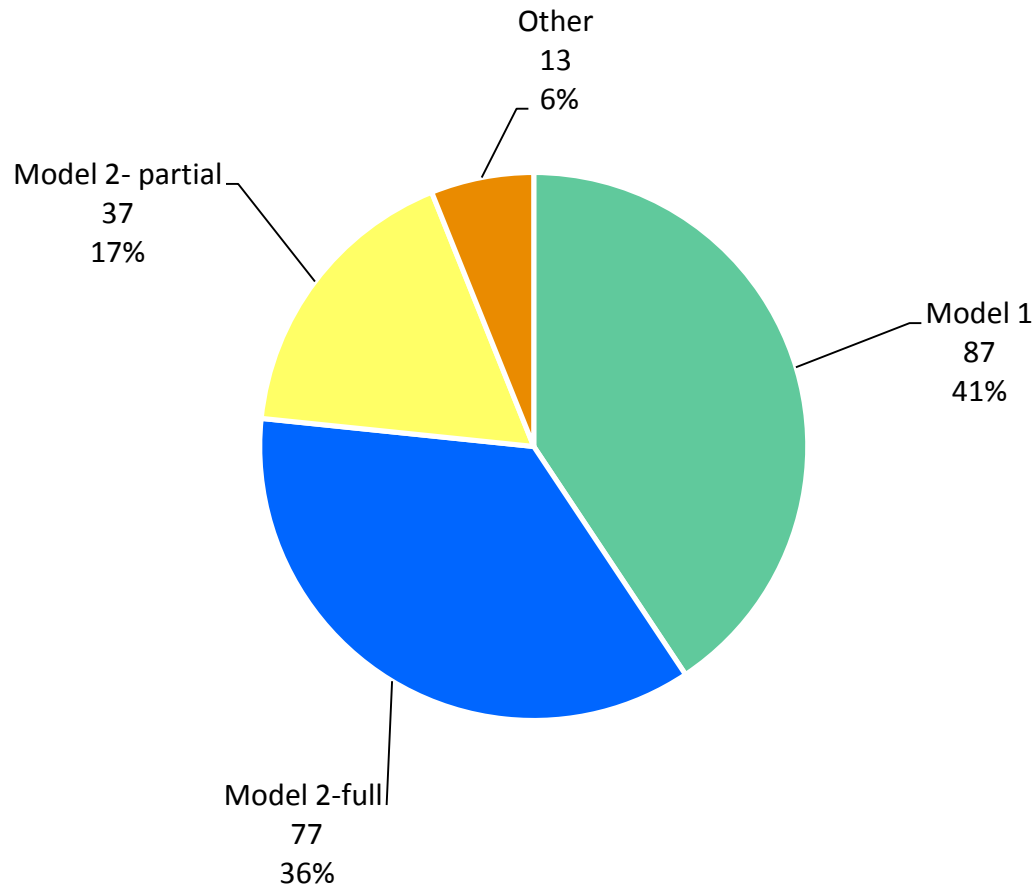
Employee contributions may be tax-deferred through a salary reduction or paid by employer as a salary supplement.

Model 0 = Taxed

Model 1 = Salary reduction

Model 2 = As a salary supplement

Model Usage



Purchase of Service Credit

- Refunds previously taken from TFFR
- Air time
- Government agency teaching
- Leave of absence
- Legislative service
- Military service
- Out-of-state teaching
- Private/parochial school teaching

Divorce and your TFFR benefits

- Marital asset
- Court order
- QDRO model

Refund of Account Value

- Employee contributions plus 6% interest
- Cease covered employment
- 120 day waiting period
- Taxable portion is eligible for direct rollover

Benefit Formula

Final average salary* x 2.0% x service =
monthly Single Life Annuity.

What percent of your Final Average Salary (FAS)
will you receive under the 2.0% multiplier?

Years of Service	Percent of FAS
10	20%
15	30%
20	40%
25	50%
30	60%
31	62%
32	64%
35	70%
40	80%

*Tier 1 Members FAS – three high fiscal year salaries ÷ 36.

*Tier 2 Members FAS – five high fiscal year salaries ÷ 60.

Benefit Estimate Calculation – Tier 2 Members

Final Average Salary x Service x 2%

High 5 Fiscal Year TFFR Salaries:

Salary 1	\$60,000
----------	----------

Salary 2	\$65,000
----------	----------

Salary 3	\$68,000
----------	----------

Salary 4	\$70,000
----------	----------

Salary 5	<u>\$73,000</u>
----------	-----------------

Total	\$336,000 / 60 months = \$5,600 monthly
-------	---

Final Average Salary (FAS)

\$5,600 FAS x 35 yrs service x 2% = \$3,920 monthly Single Life Annuity

Note: Tier 1 member FAS is high three fiscal year salaries / 36

Service Retirement Benefits

Retirement Classifications

- Normal unreduced retirement
 - Age 65
 - Rule of 85 (Tier 1 Grandfathered)
 - Min Age 60 with Rule of 90 (Tier 1 Non-Grandfathered and Tier 2)
- Early reduced retirement
 - Age 55
- Deferred retirement

Summary of TFFR Pension Benefits for Membership Tiers

	Tier 1 Grandfathered	Tier 1 Non-Grandfathered	Tier 2 All
Vesting Period	3 years	3 years	5 years
Unreduced Retirement Eligibility			
Minimum Age	No	60	60
AND Rule	Rule of 85	Rule of 90	Rule of 90
OR Normal Retirement Age	65	65	65
Reduced Retirement Eligibility			
Minimum Age	55	55	55
Reduction Factor	6%	8%	8%
Retirement Formula Multiplier	2%	2%	2%
x FAS	3 year FAS	3 year FAS	5 year FAS
x Service Credit	Total Years	Total Years	Total Years

Benefit Options

- Single Life Annuity
- 100% Joint and Survivor
- 50% Joint and Survivor
- 10 Year Certain and Life
- 20 Year Certain and Life
- Level Income
- Partial Lump Sum

Disability Benefits

- Eligibility

- 5 years of service credit
- Total disability – permanent or temporary

- Disability Formula

- Final average salary x service x 2%

Naming Your Beneficiary

- Designate beneficiary in writing
- Spouse as beneficiary

Survivor Benefits

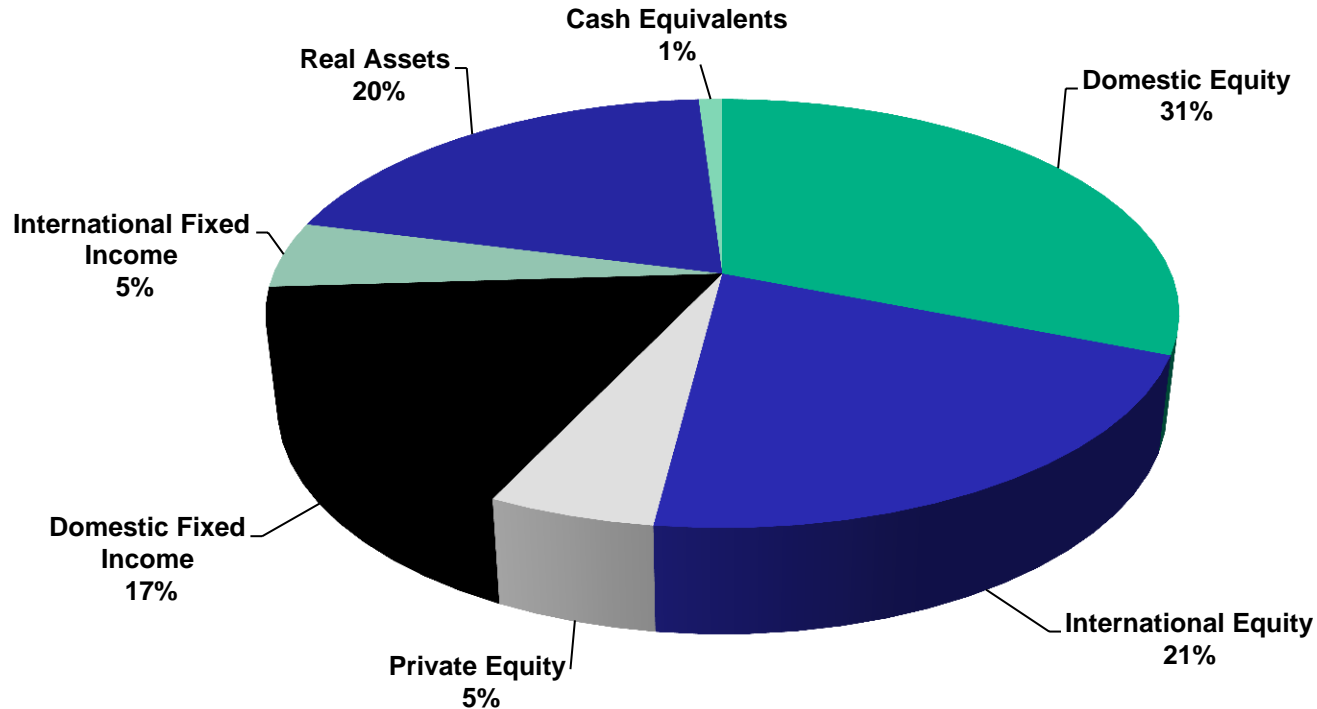
Death prior to retirement

- Non-vested member
 - Refund
- Vested member
 - Refund
 - Monthly benefit for life to one beneficiary

Death after retirement

- Plan selected at retirement

TFFR Investment Performance and Asset Allocation



As of	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>30 Years</u>
6-30-15	3.52%	11.06%	10.94%	5.87%	7.23%	8.37%

Total Assets
\$2.10 Billion

Retirement Funding Equation

$$C + I = B + E$$

- Contributions + Investments = Benefits + Expenses
- Not just for today, but for the long term.



TFFR Information

TFFR website: www.nd.gov/rio

- Legislation
 - ☐ Links to ND Legislative website, bill drafts, actuarial analysis
- Presentations
 - ☐ Webcast presentations on funding and legislative proposals
 - ☐ Presentations made to member and employer groups
- Publications and Reports
 - ☐ Newsletters, handbook, brochures
 - ☐ Actuarial and audit reports
- Contact Information
 - ☐ Phone: 701-328-9885 or 1-800-952-2970
 - ☐ Email: sschumacher@nd.gov

When you Google “hero,” there
should be a picture of a teacher.
Real heroes don’t wear capes.
They work in schools.



THANKS FOR ALL YOU DO!